

Submitted 10/31/69

AMENDMENTS TO THE
CIA RETIREMENT ACT

1. The Central Intelligence Agency Retirement Act of 1964 for Certain Employees minimizes the adverse effects of managed attrition by providing a basis for separating employees with honor and with adequate benefits. It also provides for the dignified retirement of employees no longer able to face the demands of rigorous, unusual, or semi-hazardous assignments.

2. Retirements under the CIA Retirement Act are distinguished from normal retirements under the Civil Service Retirement Act (which covers the majority of CIA employees) principally because they may be authorized or directed short of the normal full-term Government career. (See Tab A for actual and projected retirement data.)

3. A necessary corollary to the possibility of a foreshortened career under the Act is that retirement benefits will be at least as good, qualitatively, as Civil Service retirement benefits and that any relative advantage will be preserved. Any absolute or relative erosion in this respect tends to undermine the credibility of the

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4. Experience has demonstrated that the Act has served management well as one tool to assist in coping with the BALPA and OPRED exercises and other budgetary and personnel restrictions. While the Act appears to be serving the best interests of the Agency, and the employees, annuitants, and survivors involved, its viability in the light of developments concerning the Civil Service retirement system is no longer assured.

5. Recently, the Daniels-McGee Bill was enacted improving the financing and funding practice of the Civil Service retirement system and liberalizing Civil Service retirement benefits. When the CIA Retirement Act of 1964 for Certain Employees was enacted there existed a 3.75 percent computation advantage over Civil Service, discounting deduction for early retirement. With the enactment of the Daniels-McGee Bill, this relative advantage has been completely eliminated and converted into an estimated computation disadvantage as large as 3.42 percent, in other words a relative loss of 7.17 percent (See Attachment B). In addition, the CIA retirement annuity will be further eroded by an estimated 1 percent each year due to the new formula for cost-of-living adjustment of annuities. *and an additional 1% each*

6. The CIA Retirement Act is based squarely on the provisions of the Civil Service Retirement Act which have now been changed by the Daniels-McGee Bill. A change for one has equal merit for the other. Without conforming changes, annuities under the CIA Retirement Act will fall substantially behind Civil Service in the following critical areas:

- a. Annuities of retirees;
- b. Widows' annuities in death in service cases where less than 20-years service is involved;
- c. Surviving children annuities;
- d. Cost-of-living adjustments for annuitants.

Failure to keep pace with the Daniels-McGee Bill could have a catastrophic effect on employee confidence, the effectiveness of the CIA Retirement Act as a management tool, and the Agency's entire retirement program. Further, since 1964 the age requirements for retirement with full annuity under Civil Service have been reduced. In the case of involuntary separations there is no reduction in annuity for retirement at age 55 with 20 years of service. The average retiree

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On balance then, the CIA Retirement Act must keep pace with the improved benefits of the Daniels-McGee bill if the viability of the Agency's retirement program is to be maintained.

7. There was considerable publicity during congressional consideration of the earlier Daniels Bill and the later Daniels-McGee Bill which was subsequently enacted. A substantial number* of participants in the CIA Retirement and Disability System applied for retirement on or before 31 October 1969 because of their absolute confidence in the integrity of the CIA Retirement System and because they strongly believed that the Agency would initiate the necessary legislative review to secure for them the benefits of the Daniels-McGee Bill with the same effective dates. To keep faith with these employees, we consider it essential that the proposed amendments contain the same effective dates as the Daniels-McGee Bill. This will assure that the CIA Retirement Act is in complete phase with the Civil Service Retirement Act, as amended by the Daniels-McGee Bill. Similar action was taken by this Committee in 1968 when the cost-of-living provision of the CIA Retirement Act was brought into consonance with the Civil Service Retirement Act.

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